

FIVE YEAR SERVICE QUALITY IMPROVEMENT PLAN

H & B COMMUNICATIONS, INCORPORATED

INTRODUCTION

Pursuant to FCC order DA 13-1115 dated May 16, 2013, rate of return carriers are required to file five year plans consistent with Title 47 Section 54.202(a)(1)(ii).

H&B Communications, Inc. (H&B), headquartered in Holyrood, Kansas, plans to maintain, upgrade and support the improvements to their network throughout their service area as described herein. H&B's rate of return service area is comprised of the exchanges of Dorrance, Holyrood, and Bushton that are all located in central Kansas.

SPECIFIC PROPOSED IMPROVEMENTS OR UPGRADES

As Universal Service Funds are allocated dependent on past plant investment, the primary planned use of such funds is cost of money, capital recovery, income and property tax payments, and maintenance in support of this previously constructed plant.

H&B's past investment included FTTP build out in the town and rural portions of the Holyrood and Bushton exchanges and FTTP deployment in the rural portion of the Dorrance exchange with VDSL deployment in the town of Dorrance. These past investments allow H&B to provide broadband service to 100% of the area and population in the three H&B exchanges.

The total rate of return area and population that H&B provides broadband services to, based upon 2010 census data, is 310.7 mi² with a population of 1,371. Following is the breakdown per exchange:

- Bushton Exchange: ~81.5 mi², 467 population.
- Dorrance Exchange: ~152 mi², 326 population.
- Holyrood Exchange: ~77.2 mi², 578 population.

In addition to past investments in broadband plant, H&B also currently plans the following specific improvements or upgrades for calendar years 2015-2019:

- A. City of Dorrance Upgrade –
- B. Interexchange Transport Wavelength Additions –
- C. Core Router Upgrade –
- D. Work Vehicle Purchase –
- E. ONT Battery Replacement –

F. EOL (End of Life) FTTH Electronic Replacement –

It should be noted, however, that due to multiple unknowns, H&B will continue to evaluate these currently planned improvements/upgrades based on technical requirements, customer demands, and financial feasibility.

ESTIMATE OF THE AREA AND POPULATION IMPACTED BY PROPOSED UPGRADES

- A. City of Dorrance Upgrade –
- B. Interexchange Transport Wavelength Additions –
- C. Core Router Upgrade –
- D. Work Vehicle Purchase –
- E. ONT Battery Replacement –
- F. EOL (End of Life) FTTH Electronic Replacement –

QUALITY OF SERVICE & CUSTOMER PROTECTION PROCESSES

H & B COMMUNICATIONS, INCORPORATED

CUSTOMER SERVICE

- A. Available Customer Service Representatives to Answer Phones – All calls received by H&B during business hours are answered internally, 90% of them within 15 seconds (by the third ring). When the assigned customer representatives are unable to answer calls by the third ring, an additional representative is taken from other tasks and asked to help answer phones. It is not uncommon for the Office Manager to also step in and answer phones when necessary, specifically during lunch times. A phone system with the option to ring multiple lines at once is used so that multiple representatives can answer phones as required.
- B. Provide After Hours Emergency Customer Service – Where 80% of calls are answered within 60 seconds. Call logs are reviewed daily by personnel and the overall answer rate is considered. Notifications of less than an 80% answer rate are sent to department Managers to review and address. Customer service representatives have been given a list of questions by H&B to ask to assist them in resolving the issue. Issues unresolved are entered into H&B's service order system and are reviewed the following work day. Issues requiring immediate attention are sent to the H&B service technician on call, who works to resolve the matter as quickly as possible. If that technician is unable to resolve the problem, a second level technician is brought in. The after-hours customer service is run by an outside contractor who uses specially designed software to assist in meeting the target objective.
- C. Provide a 24/7 Hour Internet Help Desk Service – Where 80% of calls are answered within 60 seconds and 85% of calls are resolved on the phone. Call logs are reviewed daily by personnel and the overall answer and resolution rate are considered. Notifications of less than an 80% answer rate or an 85% resolution rate are sent to department Managers to review and address. The Internet help desk is run by an outside contractor who uses specially designed software to assist in meeting the target objective. They also utilize an internal trouble ticket system.
- D. Offer Online Bill Payments – Payments made online are posted to the customer accounts and are viewable on the online customer account summaries within 24 hours. Through a contracted provider, payment reports are printed every night at midnight and sent to another contracted provider to be posted to the company's billing system. Problems at either step of that process are reported to the Office Supervisor, but are handled by the contracted providers who work to resolve the technical errors as quickly as possible.
- E. Periodic Customer Satisfaction Surveys to All Current Subscribers – Asking the question, "Please rate the customer service of H&B in the following areas: Phone, Office, Service Technicians, Customer Support, Overall." Customers will be given the opportunity to rate the company on a scale of 1 to 5; 1 being excellent. It is the goal of H&B to obtain a 1 or 2 (Excellent or Good) on 90% of returned surveys. Surveys are written internally, but contractors are used to calculate the results. Results are returned to the Marketing Manager who will call customers that gave the company a poor rating to determine what could be done differently to serve them better if 90% are not Excellent or Good.
- F. Give Customers Cut-off Warnings & Provide Bill Arrangement Opportunities – 100% of customers are given two months of missed payments before being cut off. Notification of the payment due date and the cut-off date are prominently displayed on customer bills as well as of the opportunity to make a bill payment arrangement to avoid being cut-off. Additionally, customers who have not been cut

off within the last few months will receive a call from a customer service representative to remind them of the late payment. If a customer complains that notice was not given, they are directed to speak with the Office Manager who will work to resolve the matter and prevent it from occurring again. Account balance reports are printed monthly internally using the company's billing system.

ORDER FULFILLMENT

- A. Ensure That All New Service Installation Orders Are Fulfilled When the Customer Requires Them – Make contact with all customers within 48 hours regarding scheduling the new service installation. If outside plant is already in place, fill the order at the customers' earliest convenience; if outside plant is in not in place, fill the order as soon as the weather permits. If the 48-hour timeline is not met, the Plant Manager will step in to lend assistance. There are several systems in place to help H&B handle this objective internally: an electronic work order system for handoff of service requests from the front to the back office, several systems for the provisioning of services, and daily team meetings to review outstanding service requests.
- B. Minimize Customer Downtime for Services & Make Requested Changes Promptly – Contact customers regarding all service requests the same day, resolving 95% of the issues within 48 hours. The other 5% of issues will be resolved contingent on the technician/customer coordination of access to the premises. Should service technicians not be able to meet 48-hour timeline, Plant Manager and Systems Engineer will be informed and will perform services as needed. H&B has several systems and tools in place to handle service changes/requests internally: an electronic work order system for handoff of service requests from the front to the back office, several systems for the provisioning of services, daily team meetings to review outstanding service requests, and regular cell phone communication between the service technicians and the Plant Manager.

CAPACITY PLANNING

- A. Have CO Equipment, Outside Plant Equipment, and A Network Backbone Capable of Meeting our Current & Forecasted Customer Needs – Multiple constraints and triggers are applicable due to the multiple services offered:
- Maintain a less than 90% fill rate on the FTTH equipment at each of H&B's sites. If the fill rates pass 90%, additional GPON cards will be added one at a time to increase capacity by 25% each. The Calix Management System assists H&B in monitoring the fill rates internally on a monthly basis.
 - Sustain a less than 90% usage of total line capacity on the softswitch. If usage passes 90%, new equipment will need to be purchased. Usage rates are analyzed monthly internally by H&B using reports automatically generated by the switch.
 - Keep data, video, and voice traffic below 80% of total capacity on the BTI 10Gb ring. H&B currently has <1% of the ring allocated to voice traffic, 10% allocated to video services, and 2% allocated to data. If total data traffic reaches 80%, H&B will allocate an additional wavelength of capacity on the ring. H&B will monitor traffic internally on a monthly basis with network monitoring software for data and by keeping inventory of T1 usage for voice.
 - H&B's contract with its ISP, KFN, allows for usage up to the purchased bandwidth of 250 Mb. Additional internet access bandwidth will be purchased when peak usage is consistently at 90% of the purchased bandwidth. H&B's access to the ISP is provided by a GigE connection which allows for significant growth beyond our current usage. Should we exceed the capacity of the GigE connection, additional ports are available to add additional GigE connections. Using network monitoring software H&B will monitor this usage monthly internally.
 - All fiber plant has been designed with only a 70% fill rate to allow for new customer premises and has been designed with all splitters located such that there is a home run fiber from all

premises to an equipment location allowing for potential growth in per home bandwidth requirements.

NETWORK MANAGEMENT

- A. Proactively Monitor All Service Equipment So That H&B Is Aware of Major Service Outages In A Timely Manner – Service technicians will be made aware of outages affecting five or more customers within an hour. If these constraints are not met, the Plant Manager will investigate where the monitoring, reporting, and alarming system has broken down to resolve it as quickly as possible and take action to ensure the same error is not repeated. It is the goal of H&B to resolve major outages in four hours or less. If an outage has not been resolved within four hours, technicians will begin utilizing all resources, both from within and from without. H&B maintains technical support contracts with all of its major vendors. In addition, affected customers will be contacted to ensure them that the problem is being actively investigated. H&B provides internal oversight of its network management tools. These tools include:
- Calix Management System for monitoring, managing, and sending alarms related to customer premise and CO equipment.
 - NetGuardian for collecting and forwarding alarms as well as polling network equipment and sending alarms should the equipment stop responding.
 - MikroTik Network Monitoring Software for polling network equipment and archiving responses and alarming as well as providing performance graphs where data is available from the network.
 - Cacti logs usage and performance data on a continual basis from all network elements and provides long term graphs of network usage and bandwidth for IP services.
 - PRTG is comparable to Cacti, but is used by H&B on an on-demand basis for specific troubleshooting and also provides graphing capability for network usage and bandwidth.
 - All alarms associated with these tools are forwarded 24x7 to on-call technicians via a paging system.
 - Technicians establish and accomplish yearly training goals to be better equipped for managing all services.

CUSTOMER PRIVACY

- A. Company Confidential Information Policy – H&B has a company policy in place that holds employees accountable for a breach of confidentiality concerning customer data and company information. The policy states: “You are reminded that revealing any type of confidential information to unauthorized persons or tampering with or altering company records and/or property is a violation of trust that can result in disciplinary action up to and including discharge.”
- B. Company CPNI Policy – H&B also has a customer proprietary network information (CPNI) policy in place that ensures employee compliance with the FCC’s CPNI guidelines. Outlined within the policy is a detailed description of CPNI as well as both acceptable and unacceptable CPNI practices. Employees are required to sign waivers stating they understand and agree to comply with the policy and acknowledge that “failure to protect this information result in disciplinary action up to and including discharge for the responsible employee.” As a part of this policy, H&B has designated a Compliance Officer responsible for training employees, monitoring CPNI related activities, and reporting breaches.

EMERGENCY SITUATION FUNCTIONALITY

H & B COMMUNICATIONS, INCORPORATED

AVAILABILITY OF BACK-UP POWER

H&B has one central office and two tandem office locations within its service area. Each of these locations is equipped with a back-up generator capable of providing power to the equipment within that office in the event of an external power source outage. During extended power outages, company employees refill the gas tanks and check the oil on each generator at specified intervals. After each power outage, generators are inspected, gas tanks are filled, and oil is replaced as necessary. These generators are also professionally serviced bi-annually to ensure functionality.

In addition, H&B has installed back-up batteries on the customer premise equipment. Multiple back-up batteries have been installed at home of those with special needs. Spare batteries are kept at H&B's main office for replacement of batteries at customer homes in the event of a prolonged power outage.

H&B also utilizes its copper plant to provide central office based power to some customer premise equipment.

TRAFFIC ROUTING

Voice traffic between the central office switch and both remote switches is carried across a SONET ring allowing continued service if one route is interrupted. Voice traffic between the central office switch and the upstream tandem is also provisioned across a SONET ring. A links are provisioned on diverse routes to diverse STPs.

MANAGING TRAFFIC SPIKES

H&B's careful capacity planning has put multiple constraints and triggers in place on its central office equipment, outside plant equipment, and network backbone that will provide the company with the capability of handling traffic spikes during emergency situations. These constraints and triggers are as follows:

- Maintain a less than 90% fill rate on the FTTH equipment at each of H&B's sites. If the fill rates pass 90%, additional GPON cards will be added one at a time to increase capacity by 25% each. The Calix Management System assists H&B in monitoring the fill rates internally on a monthly basis.
- Sustain a less than 90% usage of total line capacity on the softswitch. If usage passes 90%, new equipment will need to be purchased. Usage rates are analyzed monthly internally by H&B using reports automatically generated by the switch.
- Keep data, video, and voice traffic below 80% of total capacity on the BTI 10Gb ring. H&B currently has <1% of the ring allocated to voice traffic, 10% allocated to video services, and 2% allocated to data. If total data traffic reaches 80%, H&B will allocate an additional wavelength of capacity on the ring. H&B will monitor traffic internally on a monthly basis with network monitoring software for data and by keeping inventory of T1 usage for voice.

- H&B's contract with its ISP allows for usage up to the purchased bandwidth of 250 Mb. Additional internet access bandwidth will be purchased when peak usage is consistently at 90% of the purchased bandwidth. H&B's access to the ISP is provided by a GigE connection which allows for significant growth beyond our current usage. Should we exceed the capacity of the GigE connection, additional ports are available to add additional GigE connections. Using network monitoring software H&B will monitor this usage monthly internally.
- All fiber plant has been designed with only a 70% fill rate to allow for new customer premises and has been designed with all splitters located such that there is a home run fiber from all premises to an equipment location allowing for potential growth in per home bandwidth requirements.

VOICE SERVICES RATE COMPARABILITY H & B COMMUNICATIONS, INCORPORATED

NATIONAL AVERAGE URBAN RATE

According to the 2014 Urban Rate Survey conducted by the FCC Wireline Competition Bureau, the weighted average unlimited local rate is \$20.46.¹

H&B UNLIMITED LOCAL RATE

H&B's current unlimited local residential rate, as published in its local access tariff, is \$16.75. In addition to the local rate, residents are charged a \$1.44 State Universal Service fee. These charges together equal \$18.19.

RATE REQUIREMENT

Per 47 C.F.R. § 54.313(a)(10), H&B's pricing can be no more than two standard deviations above the applicable national average urban rate for voice services as published annually by the Wireline Competition Bureau. H&B's current local rate of \$18.19 is below the 2014 national average rate of \$20.46, which means it meets the above mentioned requirement.

¹ <http://www.fcc.gov/encyclopedia/urban-rate-survey-data>

KANSAS LIFELINE PROGRAM

*Save up to
\$17.02 off your
telephone bill!*

You may be eligible to receive up to **\$17.02 off** your monthly local telephone bill through the *Lifeline Program*.

You are eligible if you receive any of the following:

Supplemental Nutrition Assistance Program, General Assistance, Bureau of Indian Affairs General Assistance, Temporary Assistance for Needy Families, Tribally Administered Temporary Assistance for Needy Families, Medicaid, Supplemental Security Income (SSI), Head Start (tribal programs for only those meeting its income qualifying standard), Free School Lunch Program, Tribally Administered Free School Lunch Program, Food Distribution Program, Low Income Energy Assistance Program (LIEAP), Section 8 Public Housing Assistance, Food Distribution Program on Tribal Lands, or 150% of the federal poverty level*. A consumer must provide **THREE CONSECUTIVE MONTHS** of statements as documentation of income, or provide a copy of his or her tax return for the previous year.

For more information about *Kansas Lifeline*, call your **local** telephone company. The number is on your telephone bill or in the front part of the telephone directory.

***2014 Kansas Poverty Level Guidelines**

| Number In Household | Maximum Annual Income |
|-------------------------------------|-----------------------|
| 1 | \$17,505 |
| 2 | \$23,595 |
| 3 | \$29,685 |
| 4 | \$35,775 |
| 5 | \$41,865 |
| 6 | \$47,955 |
| 7 | \$54,045 |
| 8 | \$60,135 |
| Each additional person in household | \$ 6,090 |

The Kansas Lifeline program is 150% of the 2014 federal poverty level.



Kansas Lifeline Program

Voice Service Packages

If a customer is eligible for Lifeline services according to the Kansas Lifeline Program guidelines on the previous page, local service and long distance packages are available at the monthly prices listed below (according to service area):

Bushton, Dorrance, & Holyrood ~

| | |
|--|--------------|
| Basic Local Service..... | \$ 9.47 |
| Long Distance (No Toll Package)..... | 12.9¢/minute |
| 40 Minutes Toll (Additional Charge)..... | \$ 2.76 |
| 100 Minutes Toll (Additional Charge) | \$ 6.90 |
| 200 Minutes Toll (Additional Charge) | \$ 13.80 |
| 350 Minutes Toll (Additional Charge) | \$ 24.15 |
| 500 Minutes Toll (Additional Charge)..... | \$ 34.50 |
| 500+ Minute Toll Package | 6.9¢/minute |

Ellinwood Rural & Claflin ~

| | |
|---|---------------|
| Basic Local Service (Ported Number) | \$ 2.53 |
| Basic Local Service (Non-ported Number) | \$ 0.53 |
| Toll Packages..... | Same as Above |

Ellinwood City ~

| | |
|--|----------|
| Basic Local Service (Includes 20 Minutes Toll) | \$ 8.60 |
| 200 Minutes Toll (Additional Charge) | \$ 12.85 |
| 500 Minutes Toll (Additional Charge) | \$ 22.85 |

For questions on eligibility, or to sign up for Lifeline Voice Services in these service areas, please contact H&B Communications/H&B Cable Service at (800) 432-8296.

| | | | | | |
|--|--|---|----------------------------------|---|--|
| USDA-RUS | | This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential. | | | |
| OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | | BORROWER NAME H & B Communications, Incorporated | | | |
| INSTRUCTIONS-Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only. | | PERIOD ENDING December, 2013 | | BORROWER DESIGNATION KS0585 | |
| CERTIFICATION We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief. ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES. DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII (Check one of the following) <input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects. <input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report Donald Nash 3/27/2014 DATE | | | | | |
| PART A. BALANCE SHEET | | | | | |
| ASSETS | | BALANCE PRIOR YEAR | BALANCE END OF PERIOD | LIABILITIES AND STOCKHOLDERS' EQUITY | |
| CURRENT ASSETS | | | | CURRENT LIABILITIES | |
| 1. Cash and Equivalents | | | | 25. Accounts Payable | |
| 2. Cash-RUS Construction Fund | | | | 26. Notes Payable | |
| 3. Affiliates: | | | | 27. Advance Billings and Payments | |
| a. Telecom, Accounts Receivable | | | | 28. Customer Deposits | |
| b. Other Accounts Receivable | | | | 29. Current Mat. L/T Debt | |
| c. Notes Receivable | | | | 30. Current Mat. L/T Debt-Rur. Dev. | |
| 4. Non-Affiliates: | | | | 31. Current Mat.-Capital Leases | |
| a. Telecom, Accounts Receivable | | | | 32. Income Taxes Accrued | |
| b. Other Accounts Receivable | | | | 33. Other Taxes Accrued | |
| c. Notes Receivable | | | | 34. Other Current Liabilities | |
| 5. Interest and Dividends Receivable | | | | 35. Total Current Liabilities (25 thru 34) | |
| 6. Material-Regulated | | | | LONG-TERM DEBT | |
| 7. Material-Nonregulated | | | | 36. Funded Debt-RUS Notes | |
| 8. Prepayments | | | | 37. Funded Debt-RTB Notes | |
| 9. Other Current Assets | | | | 38. Funded Debt-FFB Notes | |
| 10. Total Current Assets (1 Thru 9) | | | | 39. Funded Debt-Other | |
| NONCURRENT ASSETS | | | | 40. Funded Debt-Rural Develop. Loan | |
| 11. Investment in Affiliated Companies | | | | 41. Premium (Discount) on L/T Debt | |
| a. Rural Development | | | | 42. Reacquired Debt | |
| b. Nonrural Development | | | | 43. Obligations Under Capital Lease | |
| 12. Other Investments | | | | 44. Adv. From Affiliated Companies | |
| a. Rural Development | | | | 45. Other Long-Term Debt | |
| b. Nonrural Development | | | | 46. Total Long-Term Debt (36 thru 45) | |
| 13. Nonregulated Investments | | | | OTHER LIAB. & DEF. CREDITS | |
| 14. Other Noncurrent Assets | | | | 47. Other Long-Term Liabilities | |
| 15. Deferred Charges | | | | 48. Other Deferred Credits | |
| 16. Jurisdictional Differences | | | | 49. Other Jurisdictional Differences | |
| 17. Total Noncurrent Assets (11 thru 16) | | | | 50. Total Other Liabilities and Deferred Credits (47 thru 49) | |
| PLANT, PROPERTY, AND EQUIPMENT | | | | EQUITY | |
| 18. Telecom, Plant-in-Service | | | | 51. Cap. Stock Outstand. & Subscribed | |
| 19. Property Held for Future Use | | | | 52. Additional Paid-in-Capital | |
| 20. Plant Under Construction | | | | 53. Treasury Stock | |
| 21. Plant Adj., Nonop. Plant & Goodwill | | | | 54. Membership and Cap. Certificates | |
| 22. Less Accumulated Depreciation | | | | 55. Other Capital | |
| 23. Net Plant (18 thru 21 less 22) | | | | 56. Patronage Capital Credits | |
| 24. TOTAL ASSETS (10+17+23) | | | | 57. Retained Earnings or Margins | |
| | | | | 58. Total Equity (51 thru 57) | |
| | | | | 59. TOTAL LIABILITIES AND EQUITY (35+46+50+58) | |

Total Equity = 20.73% of Total Assets

OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

PERIOD ENDING

INSTRUCTIONS- See RUS Bulletin 1744-2

PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS

| ITEM | PRIOR YEAR | THIS YEAR |
|--|------------|-----------|
| 1. Local Network Services Revenues | | |
| 2. Network Access Services Revenues | | |
| 3. Long Distance Network Services Revenues | | |
| 4. Carrier Billing and Collection Revenues | | |
| 5. Miscellaneous Revenues | | |
| 6. Uncollectible Revenues | | |
| 7. Net Operating Revenues (1 thru 5 less 6) | | |
| 8. Plant Specific Operations Expense | | |
| 9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization) | | |
| 10. Depreciation Expense | | |
| 11. Amortization Expense | | |
| 12. Customer Operations Expense | | |
| 13. Corporate Operations Expense | | |
| 14. Total Operating Expenses (8 thru 13) | | |
| 15. Operating Income or Margins (7 less 14) | | |
| 16. Other Operating Income and Expenses | | |
| 17. State and Local Taxes | | |
| 18. Federal Income Taxes | | |
| 19. Other Taxes | | |
| 20. Total Operating Taxes (17+18+19) | | |
| 21. Net Operating Income or Margins (15+16-20) | | |
| 22. Interest on Funded Debt | | |
| 23. Interest Expense - Capital Leases | | |
| 24. Other Interest Expense | | |
| 25. Allowance for Funds Used During Construction | | |
| 26. Total Fixed Charges (22+23+24-25) | | |
| 27. Nonoperating Net Income | | |
| 28. Extraordinary Items | | |
| 29. Jurisdictional Differences | | |
| 30. Nonregulated Net Income | | |
| 31. Total Net Income or Margins (21+27+28+29+30-26) | | |
| 32. Total Taxes Based on Income | | |
| 33. Retained Earnings or Margins Beginning-of-Year | | |
| 34. Miscellaneous Credits Year-to-Date | | |
| 35. Dividends Declared (Common) | | |
| 36. Dividends Declared (Preferred) | | |
| 37. Other Debits Year-to-Date | | |
| 38. Transfers to Patronage Capital | | |
| 39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)] | | |
| 40. Patronage Capital Beginning-of-Year | | |
| 41. Transfers to Patronage Capital | | |
| 42. Patronage Capital Credits Retired | | |
| 43. Patronage Capital End-of-Year (40+41-42) | | |
| 44. Annual Debt Service Payments | | |
| 45. Cash Ratio [(14+20-10-11) / 7] | | |
| 46. Operating Accrual Ratio [(14+20+26) / 7] | | |
| 47. TIER [(31+26) / 26] | | |
| 48. DSCR [(31+26+10+11) / 44] | | |

USDA-RUS

OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

KS0585

PERIOD ENDED

December, 2013

Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION

| EXCHANGE | 1. RATES | | 2. SUBSCRIBERS (ACCESS LINES) | | | 3. ROUTE MILES | |
|---|------------|------------|-------------------------------|--------------------|--------------|-----------------------------------|--------------|
| | B-1 (a) | R-1 (b) | BUSINESS (a) | RESIDENTIAL (b) | TOTAL (c) | TOTAL (including fiber) (a) | FIBER (b) |
| Holyrood | 19.75 | 16.75 | | | | | |
| Bushton | 19.75 | 16.75 | | | | | |
| Dorrance | 19.25 | 16.25 | | | | | |
| Mobile Wireless | | | | | | | |
| Route Mileage Outside Exchange Area | | | | | | | |
| Total | | | | | | | |
| No. Exchanges | 3 | | | | | | |

REDACTED

| USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS <i>INSTRUCTIONS - See RUS Bulletin 1744-2</i> | | | | | | | BORROWER DESIGNATION KS0585 PERIOD ENDED December, 2013 | |
|---|---|---------------------------------------|---------------------------------|--|--|------------------------|--|------------------------------|
| Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION | | | | | | | | |
| 4. BROADBAND SERVICE | | | | | | | | |
| Details on Least Expensive Broadband Service | | | | | | | | |
| EXCHANGE | No. Access Lines with BB available (a) | No Of Broadband Subscribers (b) | Number Of Subscribers (c) | Advertised Download Rate (Kbps) (d) | Advertised Upload Rate (Kbps) (e) | Price Per Month (f) | Standalone/Pckg (f) | Type Of Technology (g) |
| Holyrood | | | | | | | | |
| Bushton | | | | | | | | |
| Dorrance | | | | | | | | |
| Total | | | | | | | | |

REDACTED

| | | | | | | |
|--|--|--|---------------------------------|-------------------------------------|--------------------------------------|--------------------|
| USDA-RUS | | | BORROWER DESIGNATION | | | |
| OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | | | KS0585 | | | |
| | | | PERIOD ENDING December, 2013 | | | |
| INSTRUCTIONS- See RUS Bulletin 1744-2 | | | | | | |
| PART D. SYSTEM DATA | | | | | | |
| 1. No. Plant Employees | | 2. No. Other Employees | | 3. Square Miles Served | | |
| | | | | 4. Access Lines per Square Mile | | |
| | | | | 5. Subscribers per Route Mile | | |
| PART E. TOLL DATA | | | | | | |
| 1. Study Area ID Code(s) | | 2. Types of Toll Settlements (Check one) | | | | |
| a. 411781 | | Interstate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis | | | | |
| b. | | Intrastate: <input type="checkbox"/> Average Schedule <input checked="" type="checkbox"/> Cost Basis | | | | |
| c. | | | | | | |
| d. | | | | | | |
| e. | | | | | | |
| f. | | | | | | |
| g. | | | | | | |
| h. | | | | | | |
| i. | | | | | | |
| j. | | | | | | |
| PART F. FUNDS INVESTED IN PLANT DURING YEAR | | | | | | |
| 1. RUS, RTB, & FFB Loan Funds Expended | | | | | | |
| 2. Other Long-Term Loan Funds Expended | | | | | | |
| 3. Funds Expended Under RUS Interim Approval | | | | | | |
| 4. Other Short-Term Loan Funds Expended | | | | | | |
| 5. General Funds Expended (Other than Interim) | | | | | | |
| 6. Salvaged Materials | | | | | | |
| 7. Contribution in Aid to Construction | | | | | | |
| 8. Gross Additions to Telecom. Plant (1 thru 7) | | | | | | |
| PART G. INVESTMENTS IN AFFILIATED COMPANIES | | | | | | |
| INVESTMENTS | | CURRENT YEAR DATA | | CUMULATIVE DATA | | |
| | | Investment This Year | Income/Loss This Year | Cumulative Investment To Date | Cumulative Income/Loss To Date | Current Balance |
| (a) | | (b) | (c) | (d) | (e) | (f) |
| 1. Investment in Affiliated Companies - Rural Development | | | | | | |
| 2. Investment in Affiliated Companies - Nonrural Development | | | | | | |

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| <div>USDA-RUS</div> <div>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</div> | <div>BORROWER DESIGNATION</div> <div>KS0585</div> <div>PERIOD ENDING</div> <div>December, 2013</div> |
| <div>PART H. CURRENT DEPRECIATION RATES</div> | |
| <div>Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)</div> <div><div><input checked="" type="checkbox"/></div> YES<div><input type="checkbox"/></div> NO</div> | |
| <div>EQUIPMENT CATEGORY</div> | <div>DEPRECIATION RATE</div> |
| 1. Land and support assets - Motor Vehicles | |
| 2. Land and support assets - Aircraft | |
| 3. Land and support assets - Special purpose vehicles | |
| 4. Land and support assets - Garage and other work equipment | |
| 5. Land and support assets - Buildings | |
| 6. Land and support assets - Furniture and Office equipment | |
| 7. Land and support assets - General purpose computers | |
| 8. Central Office Switching - Digital | |
| 9. Central Office Switching - Analog & Electro-mechanical | |
| 10. Central Office Switching - Operator Systems | |
| 11. Central Office Transmission - Radio Systems | |
| 12. Central Office Transmission - Circuit equipment | |
| 13. Information origination/termination - Station apparatus | |
| 14. Information origination/termination - Customer premises wiring | |
| 15. Information origination/termination - Large private branch exchanges | |
| 16. Information origination/termination - Public telephone terminal equipment | |
| 17. Information origination/termination - Other terminal equipment | |
| 18. Cable and wire facilities - Poles | |
| 19. Cable and wire facilities - Aerial cable - Metal | |
| 20. Cable and wire facilities - Aerial cable - Fiber | |
| 21. Cable and wire facilities - Underground cable - Metal | |
| 22. Cable and wire facilities - Underground cable - Fiber | |
| 23. Cable and wire facilities - Buried cable - Metal | |
| 24. Cable and wire facilities - Buried cable - Fiber | |
| 25. Cable and wire facilities - Conduit systems | |
| 26. Cable and wire facilities - Other | |
| | |

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| USDA-RUS | | BORROWER DESIGNATION KS0585 | |
| OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | | PERIOD ENDED December, 2013 | |
| INSTRUCTIONS – See help in the online application. | | | |
| PART I – STATEMENT OF CASH FLOWS | | | |
| 1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund) | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 2. Net Income | | | |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities | | | |
| 3. Add: Depreciation | | | |
| 4. Add: Amortization | | | |
| 5. Other (Explain) See Audited Financial Statements | | | |
| Changes in Operating Assets and Liabilities | | | |
| 6. Decrease/(Increase) in Accounts Receivable | | | |
| 7. Decrease/(Increase) in Materials and Inventory | | | |
| 8. Decrease/(Increase) in Prepayments and Deferred Charges | | | |
| 9. Decrease/(Increase) in Other Current Assets | | | |
| 10. Increase/(Decrease) in Accounts Payable | | | |
| 11. Increase/(Decrease) in Advance Billings & Payments | | | |
| 12. Increase/(Decrease) in Other Current Liabilities | | | |
| 13. Net Cash Provided/(Used) by Operations | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| 14. Decrease/(Increase) in Notes Receivable | | | |
| 15. Increase/(Decrease) in Notes Payable | | | |
| 16. Increase/(Decrease) in Customer Deposits | | | |
| 17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities) | | | |
| 18. Increase/(Decrease) in Other Liabilities & Deferred Credits | | | |
| 19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital | | | |
| 20. Less: Payment of Dividends | | | |
| 21. Less: Patronage Capital Credits Retired | | | |
| 22. Other (Explain) See Audited Financial Statements | | | |
| 23. Net Cash Provided/(Used) by Financing Activities | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| 24. Net Capital Expenditures (Property, Plant & Equipment) | | | |
| 25. Other Long-Term Investments | | | |
| 26. Other Noncurrent Assets & Jurisdictional Differences | | | |
| 27. Other (Explain) See Audited Financial Statements | | | |
| 28. Net Cash Provided/(Used) by Investing Activities | | | |
| 29. Net Increase/(Decrease) in Cash | | | |
| 30. Ending Cash | | | |

Revision Date 2010

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| USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | BORROWER DESIGNATION KS0585 |
| INSTRUCTIONS - See RUS Bulletin 1744-2 | PERIOD ENDED December, 2013 |
| NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | |
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| USDA-RUS OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | BORROWER DESIGNATION KS0585 |
| INSTRUCTIONS - See RUS Bulletin 1744-2 | PERIOD ENDED December, 2013 |
| CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS | |
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